

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/08
 LAST UPDATED 2/05/08 HB 484/aHTRC

SPONSOR B. Lujan

SHORT TITLE New Gaming Tax Rate on Certain Racetracks SB _____

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
		(\$1,381.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department (TRD)

Responses Received From
 Gaming Control Board (GCB)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to House Bill 484 amends the bill's effective date to be July 1, 2009 rather than January 1, 2009. This amendment erases the bill's fiscal impact in FY09.

Synopsis of Original Bill

House Bill 484 would allow a lower gaming excise tax rate to be imposed on a racetrack casino with net win less than \$14 million in the preceding calendar year. The only racetrack casino expected to qualify for this preferential tax rate is Ruidoso Downs.

The effective date of the provisions of the original bill is January 1, 2009.

FISCAL IMPLICATIONS

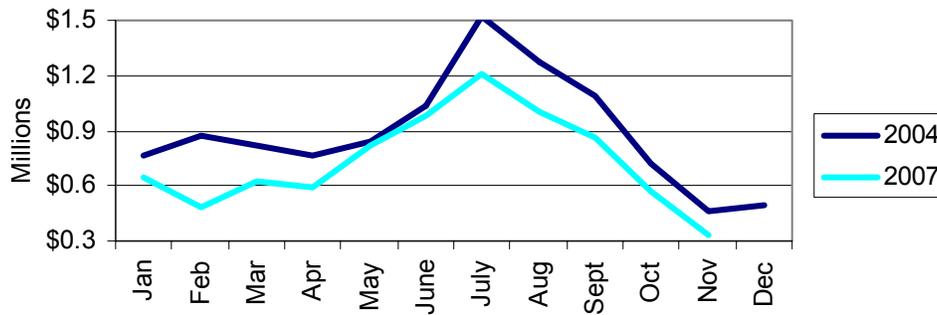
Net win for Ruidoso Downs is expected to be \$8.6 million in FY10. Taxed at the current rate of 26 percent, Ruidoso Downs is currently expected to pay \$2.2 million in gaming excise tax in FY10.

Because casino's net win is not expected to exceed \$14 million in the near future, the casino's entire net win would be taxed at 10 percent once the provisions of House Bill 484 become effective in July 2009. The bill will reduce general fund revenue by \$1,381 thousand in FY10 and the fiscal impact will grow by 4.4 percent per year.

SIGNIFICANT ISSUES

As shown in the figure below, net win, the amount of revenue taken in less payouts, has fallen at Ruidoso Downs in recent years. Net win is most likely suffering at Ruidoso Downs due to increased competition. Zia Park in Hobbs opened around the beginning of 2005, and tribal casinos in the area also draw large crowds. In addition, some gaming establishments have found a loophole around the prohibition of gaming in Texas, leading to a small number of gaming establishments in El Paso drawing business away from nearby casinos in New Mexico.

Ruidoso Downs Monthly Net Win



Sources: TRD, LFC Files.

SS/mt